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C O N F I D E N T I A L AMMAN 004725

SIPDIS

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TAGS: [EAID](#) [EFIN](#) [PREL](#) [IZ](#) [JO](#)

SUBJECT: JORDAN ASSISTANCE TO IRAQ: ASSET FREEZES

REF: A. STATE 214593

[1](#)B. USUN NY 1718

Classified By: Ambassador Edward W. Gnehm, reasons 1.5 (b,d)

[1](#)1. (u) As noted SEPTEL, Jordan has been extremely forthcoming with material assistance for aid and reconstruction efforts in Iraq. SEPTEL outlines Jordanian assistance in this regard, as requested ref (a). Ref (a) also requested information regarding frozen Iraqi assets. Unfortunately, the news on this front is not as positive.

[1](#)2. (c) On the positive side, the GOJ has been forthcoming in its cooperation with USG forensic accounting teams who have been in Amman on several occasions to identify actionable Iraqi assets held in Jordanian banks. Working with these teams, the GOJ says it has identified and frozen approximately \$500 million in actionable assets. Once identified, though, the disposition of these assets has become unclear.

[1](#)3. (c) CPA advisor George Wolfe had two meetings at the Ministry of Finance with Minister Marto and Sec'y General Hammour in mid-July, during which he requested that the GOJ transfer actionable accounts to the Development Fund for Iraq (DFI), in accordance with UN SC Resolution 1483. In response to Marto's rejoinder that Iraq's debt of \$1.3 billion to the Central Bank of Jordan needed to be addressed, Wolfe replied that it would be more appropriate to consider the debt when the general topic of Iraqi sovereign debt is discussed on a wider scale, not in the context of funds that should be part of the DFI.

[1](#)4. (c) Wolfe suggested "circular treatment" as one way to protect the liquidity of the Jordanian banks while at the same time fulfilling 1483 and the DFI mandate. The assets would be transferred to DFI and the DFI would in turn redeposit the funds in Jordanian banks. Echoing CBJ Chairman Toukan's earlier comments, Marto cited the April 24th law that protects frozen assets and sets up a committee, of which Marto is chairman, to consider all claims and decide their validity, a process that has not yet been completed.

[1](#)5. (c) Marto told Wolfe that the total amount of frozen funds was JD 356 million (\$498.4 million). From those funds, Marto said that JD 30 million (\$42 million) had already been paid against some claims. He said there were another JD 170 million (\$238) in claims yet to be addressed, leaving about JD156 million (\$218.4 million) free and clear. Marto estimated that at least 90% of the claims had been submitted, with the remainder facing a September deadline at which time the Jordanians would know the total number and amount of claims. In addition, Marto said there was an additional JD 55 million (\$77 million) frozen in an oil trading account. Responding to Marto's allusion to a Free Trade Area between Iraq and Jordan and trade (and thus possible additional, but undocumented, claims) that occurred before the first Gulf War in 1991, Wolfe said that such claims would not be appropriate and could not be honored.

[1](#)6. (c) Wolfe later told econoff that he was pessimistic of any assets transfer to DFI by the GOJ, unless we could work something out along the lines of his circular treatment proposal, as any movement of the assets outside of Jordan while claims are pending would be politically very difficult for the GOJ. Indeed, shortly after Wolfe's visit, Marto announced in the local press that frozen Iraqi assets would first be used to settle outstanding Jordanian commercial claims, and the remainder would be transferred to the DFI. (Note: During a courtesy call by the Ambassador on July 28, recently-appointed Minister of Industry and Trade (and former Ministry of Finance Secretary General) Mohammad Abu Hammour reaffirmed the political difficulties the GOJ faced regarding the Iraqi assets, but acknowledged that the GOJ "would have to comply with the UN resolution." Whether Marto and the GOJ come around to this view is yet to be determined. End Note.) GNEHM